

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Senate Bill 1694

Senator Ortiz (As amended 8/29/00)

Position:

Support

Proponents:

State Department of Education (sponsor), ACSA, AFSCME, CFA, CTA

Opponents:

None known

SUMMARY

SB 1694 allows members of the California State Teachers' Retirement System (CalSTRS) who become employed by the state in a bargaining unit that represents educational employees, as specified, or in an exempt or excluded position performing work similar to that covered by state bargaining units representing education-related positions, to remain in CalSTRS. It also allows state members of the Public Employees' Retirement System (CalPERS) employed by the California Department of Education (CDE) who are subsequently employed in service that requires membership in CalSTRS to remain in CalPERS. The bill also requires the filing of an election form with CalSTRS within 60 days of the member's date of hire in the position requiring membership in the Defined Benefit (DB) Program.

HISTORY

Chapter 954, Statutes of 1975 (AB 1105—Deddeh) allowed state employee CalSTRS members a one-time election of CalPERS membership, in lieu of CalSTRS. This election was deemed necessary due to the Total Equivalent Compensation (TEC) Act of 1974, which established additional benefits for state employees covered by CalPERS. This one-time election was the alternative provided to those members who requested benefit parity after the passage of the TEC Act.

AB 2916 (O'Connell, 1994), vetoed by the Governor, would have provided certain CalSTRS members who are subsequently employed to perform service with specified state agencies to elect to remain in CalSTRS.

Chapter 838, Statutes of 1997 (SB 227—Solis) permitted vested CalSTRS members who were employed by a community college district and who subsequently became employed by the Board of Governors of the California Community Colleges to perform duties that require membership in a different public retirement system (e.g., CalPERS) to elect, in writing within 60 days after the individual's entry into the new position, to remain in CalSTRS.

AB 649 (Machado) allows a CalSTRS member who became employed by the state between July 1, 1991 and the effective date of AB 649 in a specific bargaining unit to elect to retain membership in the DB Program. The bill also converts unused educational leave to service credit for specified state employees covered by the DB Program who retired on or after January 1, 2000. The Teachers' Retirement Board (Board) adopted a position of Neutral on AB 649, if the bill is amended to authorize educational leave credits and the conversion to service credit to be available statewide to all DB Program members, subject to payment by the employer and/or member.

CURRENT PRACTICE

A school employee who is a member of the DB Program and who becomes employed by the same or a different school district, community college district or county superintendent of schools to perform service that requires membership in another public retirement system (e.g. CalPERS) may elect to have that service in the new position covered under the DB Program. Alternatively, a school member of CalPERS who changes jobs and performs service which is creditable under the DB Program may elect to have such service credited under CalPERS.

This CalSTRS/CalPERS election initially was a reciprocal provision that was available to employees who change employment in positions only within the California local public school system. This changed with Chapter 838, Statutes of 1997, which allowed a vested CalPERS member who was employed by the Board of Governors of the California Community Colleges and who subsequently was employed by a community college district to perform duties that required membership in a different public retirement system (e.g. CalSTRS) to elect in writing within 60 days after the individual's entry into the new position to remain in CalPERS. It also permitted a vested CalSTRS member who subsequently was employed by the Board of Governors to elect to remain in CalSTRS. Chapter 838 also authorized the member to elect by March 1, 1998 to return to CalSTRS, provided the change in employment occurred between July 1, 1991 and January 1, 1998, and that CalPERS transferred to actuarial value of assets in the member's account to CalSTRS.

DISCUSSION

SB 1694

- Allows a CalSTRS member who becomes employed by the state in a bargaining unit that represents educational consultants, professional educators, professional educators or librarians to remain in CalSTRS
- Allows a CalPERS member employed by the CDE, and who is subsequently employed in service that requires membership in CalSTRS to remain in CalPERS
- If a CalPERS member makes an election to remain in CalPERS, creditable service performed for the employer after the date of hire shall be subject to coverage by CalPERS
- Specifies that the election is effective as of the first date of employment in the position that qualified the member to make the election, within 60 days of the date of hire.

AB 649 (Machado) allows a CalSTRS member who became employed by the state in certain bargaining units, prior to the effective date of that bill, to elect to retain membership in the DB Program. Current state employees who were vested members of CalSTRS and who were required to be members of the state employee CalPERS' Tier II plan could elect to return and remain in the DB Program. The Board adopted a position of neutral on AB 649, if the bill is amended to authorize educational leave credits and the conversion to service credit to be available statewide to all DB Program members, subject to payment by the employer and/or member.

Essentially, AB 649 and SB 1694 allow employees with CalSTRS and CalPERS covered employment the option of remaining in their respective systems if they become employed in a position requiring coverage in a different system. The main difference between these bills is that AB 649 covers current state employees and employees who were vested members of CalSTRS and became mandatory members of CalPERS' Tier II plan in a position between July 1, 1991 and the effective date of the bill which contains an urgency clause. SB 1694 applies to employment beginning on or after January 1, 2001.

FISCAL IMPACT

Benefit Program Costs – Any change in liability would depend on which retirement system members elected to participate in. Any increase in liability to CalSTRS, however, would be offset by increases in contributions.

Administrative Costs – Minor, if any, impact.